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SUBJECT: SAKHALIN'S PAPER FISH PROBLEM

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¶11. Econ Officer met with Environmental activist Dmitriy Lisitsyn of Ecological Sakhalin Watch to discuss environmental problems on the island, the effect of oil and gas projects on wildlife, the use of "paper fish" by poachers to circumvent fish quotas, and even some environmental improvements that have occurred on the island.

Some Polluting Industries Now Defunct

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¶12. Ecological Sakhalin Watch Director Dmitriy Lisitsyn discussed several aspects of his work with Econ Officer during their meeting, starting off with some promising developments on Sakhalin. He mentioned that there have been some improvements in certain aspects of the environment in the area, though he considered them a result of an unfavorable economic situation rather than of extensive conservation efforts.

¶13. For example, Lisitsyn pointed out that for about fifty years, Sakhalin hosted ten paper mills which the Japanese had built on the island during their wartime occupation. The Soviet government took the mills over after the war and continued to use them through the 80's and 90's. The new owners never upgraded them, and the industry was a major source of pollution. As the mills became less economically viable, they eventually closed. With no more working paper mills, a major source of pollution has been eliminated.

¶14. Logging on the island has also mostly disappeared. There is little effort to revive logging operations, since most of the trees on the island -- mainly spruce, fir, larch, and birch -- are varieties with relatively little commercial appeal. Particularly valuable oak and ash, which fetch three times the price of spruce, do not exist on the island. There had been some interest by Japanese companies looking into harvesting spruce, which is popular as a building material in Hokkaido, but projects were deemed unprofitable because of remote and steep locations and lack of large, contiguous forests.

Paper Fish: How to Legitimize Illegal Catch

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¶15. Though economic incentives for environmentally-destructive logging and paper production on the island have faded, salmon poaching continues to be a significant problem. On Kamchatka, NGOs estimate that the illegal salmon catch is 70% the level of legitimate catch -- the quota is 100,000 tons, though 170,000 tons are thought to be caught each year. For the more rare and valuable King, Silver, and Sockeye salmon varieties, the illicit catch is estimated to be three times higher than the quota.

¶16. According to Lisistyn, companies have developed a way to 'legalize' poached fish with falsified documentation. Licensed suppliers of salmon, who legally catch their fish at sea using stationary nets, often are unable to fulfill their total

allotted quotas. For a small fee, the supplier agrees with the buyer to provide documents showing that the entire quota was handed over. To fill out the remainder, the supplier then turns these paper fish into real fish by buying less-expensive, illegal fish from poachers who obtained their catch from spawning grounds. That way both buyer and seller are able to maximize profits and appear in conformity with regulations. As a result of the practice, spawning grounds are nearing depletion. The irony of the system is that if poaching were not so prevalent and spawning grounds were protected, then the increased salmon population would likely allow legitimate fishermen to catch their full quotas at sea.

#### Sakhalin Energy and the Western Blue Whale

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**17.** The Sakhalin II oil and gas project involves offshore oil platforms and a pipeline that runs off the northeastern coast of Sakhalin Island near the only known feeding grounds of the Western Pacific Gray Whale. Approximately 100 of the endangered whales remain, only 20 of which are reproductive females. In discussions at Sakhalin Energy's headquarters, Press Center Chief Oleg Sapozhnikov told Econ Officer about the company's extensive project to research and monitor the animals. According to him, Sakhalin Energy and other companies have spent over USD 10 million on the research which, they say, has shown no discernable impact on the whales. He proudly showed a dossier on the studies, which showed the name and portrait of each individual whale.

**18.** Environmentalist Lisitsyn acknowledged that the company spends significant efforts and funds to research the grey whale, but asserts that concrete protection measures -- still not implemented by the company -- are far more important than research. In his opinion, the company follows few of the recommendations put forth by the Western Gray Whale Advisory Panel, a group of independent scientists providing the company

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advice on minimizing its operation's impact on the whales' habitat. Specifically, he asserts the company has not sufficiently lowered the noise levels of its offshore facilities -- a problem that may drive the whales away from their feeding grounds.

#### Environmentalist's Wish List: No Oil Spills and Safe Spawning Grounds

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**19.** As this year is the twentieth anniversary of the Exxon Valdez spill, Lisitsyn and other Sakhalin environmentalists have been focusing on pushing authorities to implement oil spill prevention and response mechanisms. Lisitsyn's biggest fear is the possibility of a large oil spill that would damage salmon, whale, and migratory bird habitats, since current spill prevention measures are inadequate. He says that Russian authorities could learn from Alaska, which put into place several safeguards to avoid another major spill. One change he would like to see is increased cooperation with authorities in nearby Hokkaido, which has an extensive monitoring and escorting system for oil tankers, but is currently not authorized to assist Russian ships in the event of a spill and with which there is no formal cooperation. He also said his other priority is to have authorities seriously monitor salmon spawning grounds, since that is where most poaching occurs.

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